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Approved by:

Rachel Bickford

U.S. Embassy, South Africa

Prepared by:

Herman Germishuis

Report Highlights:

South Africa's corn crop planted in 2004 and currently maturing is estimated at 11.4 million tons, 17.3% bigger than the crop planted in 2003. Coupled to big carry over stocks the oversupply will increase. As a result producer prices are very low and farmers are not sure what to do when the new planting season starts in September. The wheat farmers have already decided to cut back the area planted to wheat this year.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Pretoria [SF1]
[SF]

Summary

South Africa's corn crop planted in 2004 and currently maturing is estimated at 11.4 million tons, 17.3% bigger than the crop planted in 2003. The area planted increased by only 4.3% to 3.343 million hectares implying that the average yield is expected to increase. The crop on commercial farms is expected to produce a new record yield.

The good crop prospects are reflected in the producer prices as shown by SAFEX. The May 2005 white corn price dropped by 47% from R1,089/ton on November 1, 2004 to R577/ton on March 30, 2005. The price drop is the cumulative effect of the favorable crop prospects and the big carry over which is expected to reach about 3 million tons by May 1, 2005. With total annual consumption at about 8.8 million tons, the oversupply situation is clear. Exports have also been disappointing but the lower prices should stimulate sales. The price needs to drop below R400/ton to make overseas sales possible. The strong Rand is complicating matters.

US\$1 = Rand 6.25 (03/30/05)

www.sagis.org.za

www.grainsa.co.za

www.safex.co.za

www.fews.net

www.wfp.org

www.grains.org

www.weathersa.co.za

www.sadc-fanr.org.zw

CORN**PSD Table**

Country	South Africa					
Commodity	Corn					
1000 ha.	2003	Revised	2004	Estimate	2005	Forecast
1000 mt.	USDA	Post Est.	USDA	Post Est.	USDA	Post Est.
Market Year Begin	05/2004		05/2005		05/2006	
Area Harvested	3300	3240	3500	3343	0	3200
Beginning Stocks	2443	2420	3043	3000	3993	4950
Production	9700	9710	11000	11393	0	9350
TOTAL Mkt. Yr. Imports	300	250	200	150	0	100
Oct-Sep Imports	495	553	200	150	0	100
Oct-Sep Import U.S.	61	62	0	10	0	0
TOTAL SUPPLY	12443	12380	14243	14543	3993	14400
TOTAL Mkt. Yr. Exports	700	760	1500	800	0	850
Oct-Sep Exports	797	449	1500	500	0	600
Feed Dom. Consumption	4100	4025	4100	4075	0	4100
TOTAL Dom. Consumption	8700	8620	8750	8793	0	8850
Ending Stocks	3043	3000	3993	4950	0	4700
TOTAL DISTRIBUTION	12443	12380	14243	14543	0	14400

Production

The South African national crop estimates committee released its second official estimate of the 2004 (year of planting) summer crops on February 21, 2005. The total corn crop is estimated at 11.4 million metric tons, 8.6% more than the initial estimate, and 17.3% more than the 9.7 million ton 2003 crop. The total area planted to corn is estimated at 3.343 million ha, up 4.3% on the 3.2 million ha. planted in 2003.

The following table contains the details:

	2003 area planted, ha.	Yield MT/ha	2003 crop MT	2004 area planted, ha.	Yield MT/ha	2004 first crop estimate, MT
Commercial						
White corn	1,842,000	3.15	5,805,000	1,845,000	3.59	6,628,500
Yellow	1,001,300	3.67	3,677,000	1,084,500	4.16	4,507,700
Total	2,843,300	3.33	9,482,000	2,929,500	3.80	11,136,200
Developing						
White	281,890	0.61	170,890	324,960	0.60	196,050
Yellow	78,920	0.72	57,180	88,480	0.70	61,050
Total	360,810	0.63	228,070	413,440	0.62	257,100
Total corn						
White	2,123,890	2.81	5,975,890	2,169,960	3.15	6,824,550
Yellow	1,080,220	3.46	3,734,180	1,172,980	3.89	4,568,750
TOTAL	3,240,110	3.00	9,710,070	3,342,940	3.41	11,393,300

The commercial crop yield is thus expected to increase from 3.3 tons/ha. to about 3.8 tons/ha, a new record (the best recent yield was the 1999 crop which averaged 3.4 mt/ha.)

The following table compares the 2004 commercial crop estimate and the 2005 forecast with the 2000/2004 five year moving average. As a result of the exceptional yield expected this season, the average yield expected under normal conditions also increased; The area planted to the 2005 crop later this year is likely to decline as the current price shock works through.

Commercial crop	Area	Yield	Production
	'000 hectares	Mt./ha.	'000 mt.
FAS 99/03 average			
White corn	1900	3.0	5800
Yellow corn	1100	3.4	3700
Total	3000	3.2	9500
FAS 2004 estimate			
White	1845	3.6	6629
Yellow	1085	4.2	4508
Total	2930	3.8	11136
FAS 00/04 average			
White	1870	3.1	5775
Yellow	1065	3.5	3750
Total	2935	3.25	9525
FAS 2005 forecast			
White	1750	3.1	5425
Yellow	1050	3.5	3675
Total	2800	3.25	9100

The overproduction over the past few seasons has put the industry in a dilemma.

Carry over stocks are high and export markets limited.

Producer prices are very low as a result of the overproduction, which forced prices down to import parity.

The strong Rand and weak Dollar push down import prices even further.

Farmers are hatching various plans to alleviate the situation. A cutback in area planted is seen as the short-term solution, farmers are being advised to buy cheap corn futures and not to produce corn in the coming season. The argument is that corn is produced at a loss at current price levels. Banks have even offered to finance such an effort. This will need the commitment from a high percentage of the producers and is not likely to happen.

Methanol production is seen as a long-term solution but this will need government support.

Farmers have asked for higher import duties to protect local production but the government emphasis is on fighting inflation and this is also not a solution.

The problem is compounded by the fact that South Africa has not suffered from a drought in over ten years while cultivation practices and input use has improved tremendously.

Irrigation is also a factor, 3.8% or 70,110 ha. of the area planted to white corn is estimated to be under irrigation this year and 11%, or 119,295 ha. of the area planted to yellow corn. Total irrigated area thus reached 189,405 ha. where the average yield exceeds 10.5 tons per hectare for a potential production of nearly two million tons.

Consumption

Commercial deliveries, that is corn delivered to the silos according to the South African Grain Information Service (SAGIS), forms the basis of the commercial supply and distribution. To correlate the commercial S&D with a specific crop we use the March to February deliveries and not the formal May to April marketing year. The March and April deliveries are then added to the new season's deliveries and deducted from the May 1 carry over. The latest commercial PS&D's are summarized below:

FAS 2003 estimate	My May 04/April 05	Commercial S&D	
'000 Metric tons	White	Yellow	Total
B/Stocks	2030	390	2420
Adjusted crop est.	5805	3675	9480
Farm retentions	110	280	390
Delivery forecast	5695	3395	9090
Imports	0	250	250
Total supply	7725	4035	11760
Exports	700	60	760
Dom. Consumption	4500	3500	8000
Ending stocks	2525	475	3000

FAS 2004 Forecast	MY May05/April 06	Commercial S&D	
'000 Metric tons	White	Yellow	Total
B/Stocks	2525	475	3000
Comm.crop	6628	4508	11136
Farm retentions	128	308	436
Delivery forecast	6500	4200	10700
Imports	0	150	150
Total supply	9025	4825	13850
Exports	750	50	800
Dom. Consumption	4550	3550	8100
Ending stocks	3725	1225	4950

FAS 2005 forecast	MY May06/April 07	Commercial S&D	
'000 Metric tons	White	Yellow	Total
B/Stocks	3725	1225	4950
Comm. crop	5425	3675	9100
Farm retentions	125	325	450
Delivery forecast	5300	3350	8650
Imports	0	100	100
Total supply	9025	4675	13700
Exports	800	50	850
Dom. Consumption	4575	3575	8150
Ending stocks	3650	1050	4700

Prices

Local producer prices peaked at the end of November 2004 when it was still dry but have been dropping since the onset of the rains.

Futures prices	March 2005	May 2005	July 2005	September 05
White corn/mt.				
11/01/04	R1071=\$175.6	R1089=\$178.5	R1100=\$180.3	
11/29/04	R976=\$166.8	R993=\$169.7	R1009=\$172.5	
12/28/04	R749=\$131.4	R771=\$135.3	R784=\$137.5	
01/25/05	R551=\$ 91.8	R580=\$ 96.7	R603=\$100.5	R624=\$104.0
03/01/05	December 05	R513=\$ 88.4	R538=\$ 92.8	R557=\$96.0
03/30/05	R642=\$101.9	R577=\$ 91.6	R592=\$ 94.0	R613=\$97.3
Yellow/mt.				
11/01/04	R1041=\$170.7	R1005=\$164.8	R1010=\$165.6	
11/29/04	R927=\$159.0	R912=\$155.9	R930=\$159.0	
12/28/04	R791=\$138.8	R804=\$141.0	R797=\$139.8	
01/25/05	R639=\$106.5	R649=\$108.2	R646=\$107.7	R675=\$112.5
03/01/05	December 05	R583=\$100.5	R600=\$103.4	R621=\$107.0
03/30/05	R683=\$108.4	R615=\$97.6	R635=\$100.8	R657=\$104.3

As the surplus is mainly in white corn, current white corn prices are about 7% lower than yellow corn prices. The May white corn price is still R577/ton but this will have to drop to about R405/ton (export parity) before overseas exports become viable.

Trade

Exports MY 04/05	01/29- 02/05	02/05- 02/11	02/12- 02/18	02/19- 02/25	02/26- Mar. 4	03/05- 03/11	03/12- 03/18	03/19- 03/25	Season to date
White corn									May1,04- March 25
Angola									23545
Botswana	2081	2419	1701	2006	2138	3242	3676	1670	96809
Congo									216
Kenya									120966
Lesotho	1364	924	5012	5896	1979	2030	2650	2200	103684
Mozambique	1891	965	964	1520	261	1419	2549	1639	37178
Namibia	3228	2541	1424	1868	2678	2265	2628	1943	31216
Swaziland	1267	503	1086	488	30	536	345	66	12587
Zimbabwe	11830	6014	5191	7778	8270	8292	5401	4474	162534
Madagascar									2382
Total	21661	13366	15378	19556	15356	17784	17249	11992	591117
Yellow									
Angola				215				215	430
Botswana	297		34						7687
Lesotho					528				6184
Mozambique				480	60	62	149	63	4770
Namibia	44	439	348	55		455	499	85	11924
Swaziland	1016	528	1021	379	318	358	690	895	25232
Zimbabwe					292	265			653
Total	1357	967	1403	1129	1198	1140	1338	1258	56880
Grand Total									647997

As can be seen from the table above South Africa is mainly exporting corn to its Customs Union partners, Botswana, Lesotho, Namibia and Swaziland (295,000 tons to date this season). This market was estimated at 450,000 tons per year, as was the case in MY

2003/04, but some of the countries had good crops last year. Mozambique is another traditional destination (42,000 tons) while Zimbabwe (163,000 tons) and Kenya (121,000 tons) were marketing opportunities that developed this season. Zimbabwe, although limited by foreign exchange constraints, will probably continue to be a market for the foreseeable future (See RH5001, Zimbabwe Grain and Feed update). South Africa has thus failed to breach the international market over the past few years mainly limited by the strong SA Rand.

Stocks

The most notable feature of the PS&D is the increased carry over stocks. This grew from about 2 million tons at the end of April 2003 to 2.4 million tons in 2004 and an expected 3 million tons in 2005. If current trends continue, the carry over could reach nearly 5 million tons in 2006 if no alternative markets can be found. For clarity, we only count old season stocks at the end of the marketing year.

WHEAT**PSD Table**

Country	South Africa					
Commodity	Wheat					
1000 ha.	2003	Revised	2004	Estimate	2005	Forecast
1000 mt.	USDA Official	Post Estimate	USDA Official	Post Estimate	USDA Official	Post Estimate
Market Year Begin	10/2003		10/2004		10/2005	
Area Harvested	748	748	850	829	0	770
Beginning Stocks	898	897	596	614	486	315
Production	1540	1540	1700	1700	0	1685
TOTAL Mkt. Yr. Imports	1278	1278	1200	1100	0	1150
Jul-Jun Imports	911	837	1200	850	0	850
Jul-Jun Import U.S.	488	414	0	200	0	250
TOTAL SUPPLY	3716	3715	3496	3414	486	3150
TOTAL Mkt. Yr. Exports	379	379	350	374	0	380
Jul-Jun Exports	356	320	350	350	0	350
Feed Dom. Consumption	10	30	10	30	0	30
TOTAL Dom. Consumption	2741	2722	2660	2725	0	2730
Ending Stocks	596	614	486	315	0	40
TOTAL DISTRIBUTION	3716	3715	3496	3414	0	3150

Production

The final estimate of the 2004 wheat crop is about 1.7 million tons, well up on the 1.54 million tons produced in 2003. This is still short of domestic consumption needs of about 2.7 million tons necessitating imports of about 1.1 million tons. The drought in the Western Cape is persisting but it is a winter rainfall area and the rains should resume from May.

The first planting intentions survey for 2004 was released recently. Farmers reportedly intend to plant 770,000 hectares to wheat in 2005. The survey shows that producers intend to plant 59,000 hectares less than in the previous season. The main producing areas are in the drought stricken Western Cape with 330,000 ha. or 43% of the area planted, and in the Free State with 325,000 ha. or 42%. In the Free State soil moisture levels are good but the main drawback is poor price prospects.

Trade

The following table contains trade details from October 1, 2004 to March 25, 2005.

Wheat; Imports	For Africa MT	For South Africa MT	Total MT
Argentina	80,032	360,904	440,936
USA	28,673	130,838	159,511
Australia		49,778	49,778
UK		27,586	27,586
Germany		27,282	27,282
Total	108,705	596,388	705,093
Wheat; Exports			
Botswana	35,531		
Lesotho	42,257		
Namibia	6,279		
Swaziland	16,792		
Zambia	28,390		
Zimbabwe	37,127		
	163,176		